

TESTIMONY OF THE
DIRECTOR OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION
OFFICE OF THE UNDERSECRETARY OF DEFENSE FOR
ACQUISITION, TECHNOLOGY & LOGISTICS
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS

September 3, 2002

Mr. Chairman, Congresswoman Napolitano:

I want to speak to you today about the Department of Defense (DoD) and its procurement activities within the small business arena. We at the DoD consider small business to be a high priority. The very fact that approximately 88 percent of all DoD prime contractors are small businesses demonstrates how important the small business world is to this Department. Additionally, our dependence on small business is increasing; in FY 2001 the number of small businesses receiving contract awards grew by 1,825 – an increase of 8.2 percent over FY 2000. Of these 1,825 additional firms, 584 were owned by women and 355 were located in historically underutilized business zones (HUBZones). We exceeded the statutory goal of 5 percent contracting with small disadvantaged businesses (SDBs), spending 5.7 percent of our prime contracting dollars on purchases from SDBs. Small businesses received over \$50 billion of DoD procurement funds last year, alone. The DoD regards the contributions of small business as critical and invaluable.

There has never been a more vital need for small business support within the DoD. Neither this Department nor our nation could have recovered from the shocking events of September 11th so quickly and effectively without the small business community. Small businesses provided the critical surge capacity the DoD needed to begin rebuilding the Pentagon and take on the task of fighting terrorism. These business owners immediately responded to a broad agency announcement issued by The Office of the Secretary of Defense for new ideas to counter this terrorist induced perturbation. They have great ideas, innovative technology, and can respond to our needs with flexibility, speed, and agility.

The Department of Defense has established the Small Business Reinvention Program.¹ This highly challenging policy assigns responsibility and accountability for the Program at the most senior levels within DoD and includes solid metrics for gauging success. Each military department and defense agency is responsible for annual small business improvement plans. These plans detail special initiatives unique to each DoD component that will enhance small business participation. Each DoD component has targets, and performance will be monitored. Under this initiative, the secretaries of the military departments and directors of the defense agencies will report semi-annually to Undersecretary E.C. "Pete" Aldridge, who in turn will inform the Deputy Secretary of Defense on their performance against the improvement plans and targets.

It is important that we stay in touch with the concerns of the small business community that supports our requirements. The Undersecretary has, consequently, established small business forums. The DoD Office of Small and Disadvantaged

¹ E. C. "Pete" Aldridge, Undersecretary (Acquisition Technology & Logistics), memo to secretaries of the military departments and directors of defense agencies on "Small Business Program Reinvention" dated May 16, 2001. Available at <www.sadbu.com>.

Business (SADBU) staff has already met with a Wichita, Kansas group of small businesses that produce aircraft components. The SADBU office has strategized with women owned business leaders, brainstormed with Native Americans and represented the Secretary of Defense on the Board of Directors of the National Veterans Business Development Corporation. These forums identify prime and subcontracting barriers enabling us to discuss and develop recommended solutions with department leadership and the chief executive officers of the major defense firms. Additionally, we appreciate the support from the Small Business Administration and we look forward to working with them in the future.

The Army, Navy, Air Force and defense agencies small business offices are also doing their part to help the Department meet its goals. They, along with over 500 small business specialists across the nation, are my means to transform the small business acquisition culture in the DoD. The Department's specialists will foster a cultural shift in the attitude of the acquisition workforce towards small business through new teaching modules. The OSD-SADBU office, in partnership with the Defense Acquisition University, is creating the first small business training module for executives and program managers. These new modules will explain why the Department's acquisition workforce should value the contributions of small business. Future training initiatives will focus on improving the use of Historically Black Colleges and Universities / Minority Institutions (HBCU/MIs) and we intend to reinvigorate training about historically underutilized business zones (HUBZones) -- including Native American reservations which are predominately located in HUBZones. They are also developing

training modules about contracting with women-owned and Service-disabled veteran-owned small businesses.

DoD continually strives to enhance its overall small business performance, particularly to achieve the goals recently established for woman-owned small businesses, HUBZones, and service disabled veteran owned small business. There are positive trends. In Fiscal Year (FY) 2001, \$51.8 billion of DoD procurement spending went to small business firms, with \$28.3 billion of this going to small business prime contractors.² This marks the first time in its history that the DoD Small Business Procurement Program has surpassed the \$50.0 billion threshold.

I reaffirm the DoD's commitment to small business as a valuable and integral part of the defense industrial base. Thank you for the opportunity to appear here today.

² Referenced from the WHS Services Directorate for Information Operations & Reports.